

**2004 ANNUAL REPORT ON
CONSUMER ASSISTANCE**



**MAINE PUBLIC UTILITIES COMMISSION
CONSUMER ASSISTANCE DIVISION**

ANNUAL REPORT ON CONSUMER ASSISTANCE 2004

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I. INTRODUCTION

The Maine Public Utilities Commission (the “Commission”) is an independent agency created by the Maine Legislature to ensure safe, adequate, and reliable utility service at rates that are just and reasonable for both consumers and public utilities. The Commission has jurisdiction over electric, gas, water, and telephone utilities, and ferries in Casco Bay. The Commission grants utility operating authority, regulates utility rates and service standards, responds to consumer questions and complaints, monitors utility operations for safety and reliability, ensures the protection of underground facilities, oversees electric energy efficiency programs, and oversees the development and implementation of emergency services communications (E-911).

The Consumer Assistance Division (the “CAD”) is the Commission’s primary link with utility consumers. The CAD is charged with ensuring that consumers, utilities, and the public receive fair and equitable treatment through education, resolution of complaints, and evaluation of utility compliance with consumer protection rules. To promote understanding and prevent disputes, the CAD seeks to educate and inform consumers and utilities about utility-related consumer service issues, and consumer rights and responsibilities. The CAD’s role as an educator has expanded in recent years as the regulated utility industry has changed, particularly with the development of competition in the telecommunications industry and the restructuring of the electric industry.

Duties of the CAD include responding to information requests; investigating and resolving disputes between consumers and utilities; assessing utility compliance with consumer-related statutes, Commission rules, and utility tariffs; bringing enforcement actions for violations by utilities of Maine’s consumer protection statutes and Commission rules; participating in Commission rulemakings; screening requests from utilities seeking to disconnect gas or electric service in the winter; and reviewing requests from utilities for waivers to Commission rules. The CAD also assists utilities in designing and operating effective consumer service programs that are fair to both consumers and utilities. This report is a summary of the CAD’s activities in 2004.

II. THE YEAR IN REVIEW

The CAD’s major initiatives in 2004 included the investigation of numerous slamming complaints and participation in subsequent enforcement actions; continued efforts to improve the quality of service provided by the CAD, particularly the establishment of payment arrangements between customers and utilities; and the creation of an automated process for verifying customer eligibility for the Lifeline and Link-Up Programs. These initiatives are described in more detail below.

A. Slamming

Consumers in Maine have the right to choose which company provides their local and long distance telephone service. Sometimes a change in service is made without a consumer's knowledge or consent. This practice, known as "slamming," violates state and federal laws, as well as rules of the Maine Public Utilities Commission and the Federal Communications Commission (FCC). The Maine Commission has jurisdiction over slamming complaints involving local service (dial tone) and intrastate toll service. The FCC has jurisdiction over interstate and international toll service. While the Maine Commission can help consumers whose interstate telephone service is changed without their authorization to obtain a refund, it does not have the authority to impose a fine against carriers for interstate slams—that authority rests with the FCC. Both state and federal slamming rules require carriers to retain proof of customer authorization for a carrier change. This authorization is most often retained in the form of a recorded verification performed by a third party.

1. Business Options, Inc.

In 2002 and 2003, the CAD received 183 complaints from consumers who alleged that Business Options, Inc. changed their long distance service without their permission. Business Options provided the CAD with copies of third party verification recordings in which, according to Business Options, the consumers agreed to change their service. According to the consumers, however, Business Options did not inform them it was seeking to change their long distance service provider. Instead, Business Options used a variety of methods to prompt consumers to provide the information needed to "verify" a change in long distance providers to Business Options. Business Options' marketing personnel intentionally misrepresented themselves to Maine consumers, many of whom were elderly, to mislead them into believing they were speaking to Verizon or AT&T personnel and that "Business Options" was merely a calling plan offered by Verizon or AT&T to good customers who paid their bills on time.

After investigating the complaints, the CAD documented 195 unauthorized carrier changes by Business Options, leading the Commission to open a formal investigation into the carrier change practices of Business Options in February 2004. As a result of its investigation, the Commission found that Business Options used deceptive marketing and verification practices, and that it failed to obtain customer authorization for the carrier changes in violation of Maine law and Commission rules. The Commission imposed an administrative penalty of \$750,000 on Business Options, reflecting the seriousness of Business Options' intentional violations of Maine's slamming laws. In addition, the Commission revoked Business Options' authority to operate in Maine, and referred the case to the Maine Attorney General for further action as appropriate.

2. LCR Communications

In late 2003, the CAD began receiving complaints from consumers who alleged that LCR Communications changed their telephone service without their permission. When asked to provide proof that consumers authorized the carrier changes, LCR provided the CAD with copies of recorded third party verifications (TPVs) in which it claimed the consumers agreed to change their service to LCR. According to consumers, however, the voice on the TPV was not theirs, nor did they recognize the voice, nor was the date of birth on the TPV theirs. Consumers said they never agreed to change their service to LCR and had never heard of LCR before its charges appeared on their local telephone bill.

While reviewing the information provided by LCR, the CAD also found that the TPVs contained telephone numbers belonging to a variety of businesses and individuals in addition to the person who was the subject of the TPV. The CAD contacted these consumers and learned that their interstate long distance service had also been switched to LCR without their authorization. The majority of consumers were unaware of the switch to LCR until notified by the CAD. The CAD found that 73 consumers had their interstate service changed to LCR without their authorization. The CAD was able to obtain refunds of more than \$15,000 in fraudulent long distance telephone charges for all consumers who filed slamming complaints against LCR.

Because the unauthorized changes by LCR were limited to interstate toll service, the Maine Commission did not have the authority to pursue enforcement action against LCR—the FCC has jurisdiction over interstate toll service. However, the CAD forwarded the information it collected to the FCC for use in its investigation. The information included consumer statements, and information collected from local telephone companies and LCR. The FCC entered into a Consent Decree with LCR that required LCR to cease marketing long distance phone services to existing and prospective customers, and make a voluntary contribution to the U.S. Treasury of \$500,000. The Consent Decree also prohibited LCR's officers from owning any company, other than LCR, which sells, offers, or provides such services. The information provided by the CAD played an instrumental role in the FCC's investigation of LCR for possible slamming violations.

B. Verification of Lifeline and Link-Up Eligibility

The CAD assisted various interested parties in developing an automated verification process for customer eligibility to the Lifeline and Link-Up programs. Chapter 294 of the Commission's rules requires each carrier designated as an Eligible Telecommunications Carrier (ETC) to offer Lifeline and Link-Up services to its customers. Lifeline is discounted local telephone service while Link-Up provides a discount for installation of telephone service. Both services are available to qualifying low-income consumers. Chapter 294 also requires ETCs, and any other carrier

offering Lifeline or Link-Up service, to verify a customer's eligibility for the programs on an annual basis.

Section 5 of Chapter 294 requires each carrier to submit annually a list of its customers who are receiving Lifeline or Link-Up benefits to the Department of Health & Human Services (DHHS) and the Community Action Program (CAP) agencies for verification of continued customer eligibility. However, both the carriers and the assistance agencies experienced problems with the eligibility verification process. DHHS was unable to read the data provided by one carrier; the carriers used different methods to submit the lists to DHHS and the CAP agencies; and the review by the CAP agencies was time consuming because it was done manually, resulting in lengthy response times to carriers. These problems highlighted the need to improve the process used to verify customer eligibility for the Lifeline and Link-Up programs.

The CAD invited interested parties to meet, with the goal of creating a uniform process that would verify eligibility in a more timely and efficient manner. Participants included representatives of Verizon, the Telephone Association of Maine, the Maine Department of Health and Human Services (DHHS), and the Maine State Housing Authority (MSHA). The interested parties first reviewed the current (manual) verification process, which is a two-step review with DHHS verifying eligibility for all of its programs and the CAP agencies verifying eligibility for the Low Income Home Energy Assistance Program (LIHEAP). (This review is conducted because customers are eligible for the Lifeline and Link-Up programs if a member of the household qualifies for benefits under programs such as food stamps, Supplemental Social Security Income, Medicaid, Temporary Assistance for Needy Families, Emergency Assistance Program, or LIHEAP.)

Under the manual process, each carrier sent a list of its customers receiving Lifeline/Link-Up benefits to the DHHS. (Verizon submits its information to DHHS electronically on tape, while the independent carriers submit paper lists.) The DHHS would cross off the names of customers participating in a DHHS assistance program, and forward the list to the CAP agency serving the carrier's service territory. (When a carrier's clients were served by several CAP agencies, the lists were sent to each of the CAPs.) The CAP agency would then cross off the names of customers participating in LIHEAP and return the list to the carrier. At the end of the process, the only names left on the list were those customers not receiving financial assistance from DHHS or LIHEAP as of the date of each agency's review. These individuals were no longer eligible for Lifeline or Link-Up assistance. The carrier would then send a letter to all customers whose names remain on the list, advising them that they are no longer eligible for Lifeline or Link-Up assistance and asking them to contact the carrier if they believe they are still qualified. This final step ensured that customers who may not have been obtaining assistance at the time DHHS or the CAP agency reviewed a carrier's list, but were in the process of obtaining assistance, had an opportunity for re-verification of their eligibility in the Lifeline and Link-Up programs.

After discussing each of the impediments to a timely and efficient eligibility review, the participants developed an automated verification process. Under the new process, carriers submit their lists for eligibility verification to DHHS in a common electronic format (an Excel spreadsheet on CD-ROM) and DHHS removes the names of individuals receiving assistance. MSHA then performs the second review, rather than the CAP agencies, because MSHA has all of the data for LIHEAP eligible customers. MSHA removes the names of LIHEAP eligible customers and then returns the CD-ROM with the revised list to the carrier. As with the manual process, customers whose names appear on the revised list will be removed from the Lifeline and Link-Up programs. The carriers will continue to send a letter to each customer advising that they are no longer eligible for Lifeline or Link-Up assistance and asking the customer to contact the carrier if the customer believes they are still qualified.

The revised process for Lifeline and Link-Up eligibility verification is more efficient and accurate, and less resource intensive than the previous verification process. The CAD expects that the revised process will result in significant savings for all parties involved.

C. CAD Initiatives to Improve its Service Quality

1. Payment Arrangement Work Group

The CAD's primary service quality focus in 2004 was improving the consistency of payment arrangements it establishes between consumers and utilities. An internal Work Group was tasked with the following goals: 1) to determine whether a standardized process could be developed that would ensure consistency among CAD staff; 2) to consider how to resolve situations in which consumers repeatedly contact the CAD for assistance because they are unable to pay their bills; and 3) to draft an internal process to provide usable guidance to CAD staff.

The Work Group met with utility representatives and other interested parties to discuss ways of increasing consistency among CAD staff in establishing payment arrangements. The meeting was well attended, with nearly 50 participants. In addition, written comments were received from many others. In March 2004, the Work Group released its draft Report, and again solicited comments from utility representatives and other interested parties. The Final Report of the Payment Arrangement Work Group was released in July.

The wide range of comments received emphasized the problems inherent in developing a standardized process for establishing payment arrangements—customer circumstances vary to such a degree that there is no “standard” situation. Therefore, the Work Group recommended the use of guidelines as a more appropriate method of ensuring consistency among CAD staff rather than the development of a standardized process for establishing payment arrangements. The Work Group also recommended that the CAD Policy Book be updated and reorganized, that the income and expense section of the CAD's computer database

be modified to more accurately reflect the information obtained, and that regular training on establishing payment arrangements be provided to CAD staff. The conclusions in the Report were fully supported by the Director of the CAD, and implementation of the Work Group's recommendations began immediately after the Final Report was released.

2. Training of CAD Staff

Another service quality improvement initiative in 2004 was the development of a training program for CAD staff. This effort was due in part to a recommendation of the Payment Arrangement Work Group that regular training on payment arrangements be provided to CAD staff. The new training program encompasses all aspects of consumer complaint handling, not just the establishment of payment arrangements. The new training program consists of the following modules:

- Taking a Complaint. Asking clarifying questions, summarizing the issue, improving listening skills, and avoiding the use of acronyms and confusing terminology.
- Research & Investigation. Gathering information about the dispute, including researching Commission laws and rules, utility terms and conditions, and past case history.
- Financial Assistance. Information on assistance offered by HEAP/ECIP and DHS, and program contacts.
- Payment Arrangements. Review of recommendations made in the Final Report of the Payment Arrangement Work Group, including use of the decision matrix.
- Decision Making. Evaluating information received about the dispute and reaching a conclusion based on the information.
- Letter Writing. Critical components of a letter, content, and proofreading.

Training on all modules was provided to CAD staff in 2004. It is believed these efforts will improve the efficiency of CAD staff and improve the quality of the CAD's work in assisting Maine consumers.

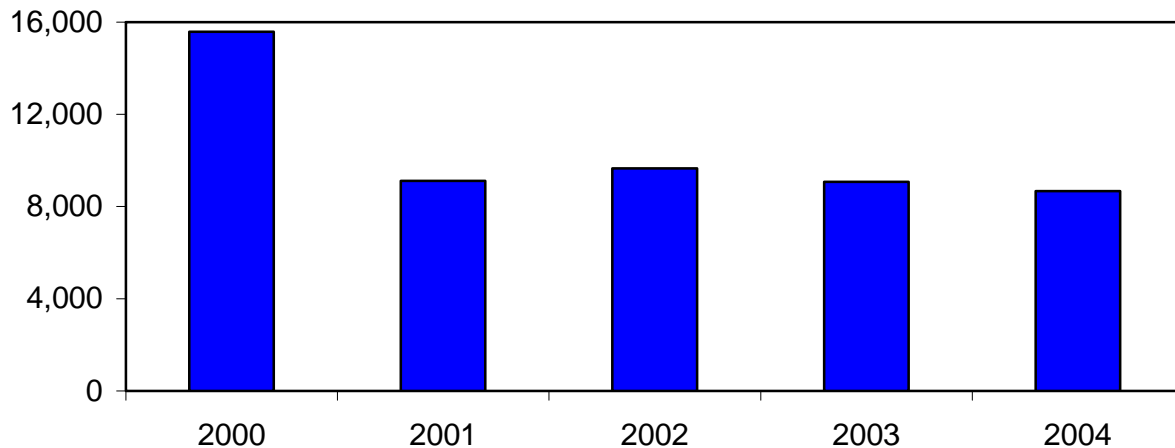
III. CONSUMER CONTACTS

The CAD was contacted by 8,660 consumers in 2004, a 4% decrease from the 9,067 contacts in 2003, and a 10% decrease from 9,651 in 2002. Consumer

contacts include requests for assistance from residential and business consumers who have disputes with utilities, requests for information, and requests by electric and gas utilities for authorization to disconnect consumers during the winter period.

As shown in Figure 1, while there have been slight fluctuations, the number of consumer contacts has remained fairly constant for the past four years. The number received in 2000 was higher than average due to the large number of questions about electric restructuring.

Figure 1: CAD Contacts 2000-2004



The CAD receives the majority of its inquiries from consumers over its toll free Consumer Assistance Hotline and strives to answer calls live as opposed to forwarding calls to voicemail. In 2004, over 97% of the calls to the CAD's Hotline were answered live. By answering the majority of calls live, many of the complaints received by the CAD were resolved immediately over the phone.

Use of on-line services provides consumers with an alternative to traditional methods of contacting the CAD. Consumers can ask the CAD for assistance through the Commission's web site (<http://www.state.me.us/mpuc/consumer/cad.html>). The web site takes users through a series of steps to ensure that the CAD will be able to assist them in resolving their dispute. The first level informs the user which utilities the Commission regulates, because the CAD is unable to assist consumers with disputes involving companies it does not regulate. The next level informs users that they must first contact their utility to attempt to resolve their dispute before contacting the CAD. The next level informs users of the methods available to contact the CAD, and briefly explains the process the CAD will use to investigate the dispute. Finally, if users contacted their utility but were unable to resolve their dispute, they are routed to an on-line complaint form.

Consumer complaints entered on the Commission's web site are forwarded by e-mail to the CAD. The CAD received 346 consumer contacts by e-mail in 2004, a decrease of 5% from the 363 received by e-mail in 2003, and a 250% increase over

the 134 e-mails received in 2002. The Commission recently upgraded its web site to make it more user-friendly, which should increase electronic access to the CAD by consumers.

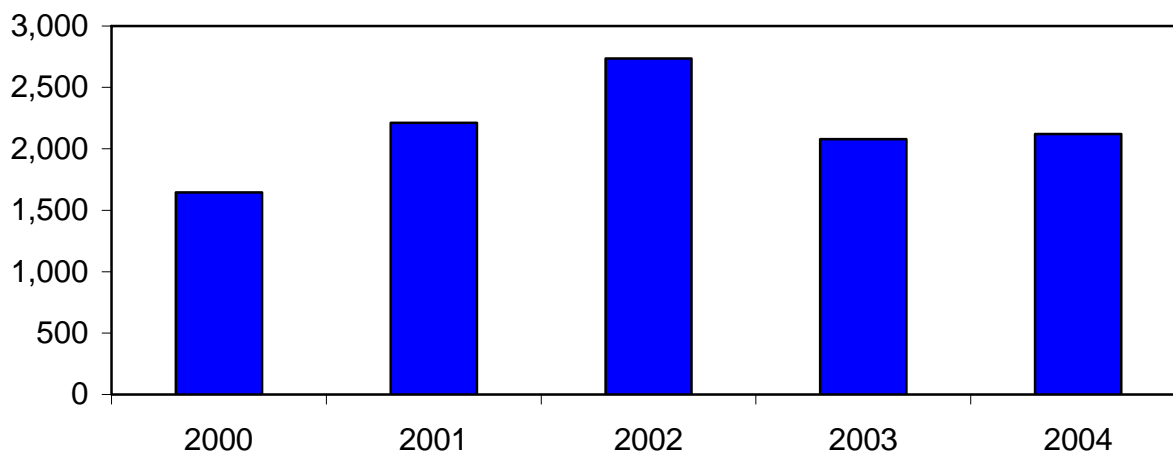
A. Consumer Complaints

The CAD defines a complaint as a dispute between a utility (regulated by the Commission) and a consumer that the consumer has been unsuccessful in resolving with the utility. The CAD attempts to mediate disputes between consumers and their utility whenever possible. Many types of disputes are well suited to mediation, including requests for payment arrangements, repairs, medical emergencies, and many billing issues. Mediation may involve a three-way call among the consumer, the utility, and the CAD, or may involve the CAD talking with each party separately. Use of mediation to resolve consumer complaints increases efficiency and, in most cases, results in a high degree of consumer satisfaction with the resolution.

If a complaint received by the CAD cannot be mediated, the CAD notifies the utility of the complaint and requests information needed to reach a resolution. The CAD reviews the utility's response to ensure the actions that led to the complaint were in compliance with Commission rules and the utility's own terms and conditions of operation. The CAD may also seek assistance from other Commission staff to obtain answers to technical questions. After its review, the CAD discusses its findings with the consumer and, in many instances, is able to reach an agreement between the parties. If an agreement cannot be reached, the CAD has the authority to issue a binding decision directing either the consumer or the utility to take specific action. The CAD may also find that the resolution initially proposed by the utility was reasonable. Decisions made by the CAD can be appealed to the Commission.

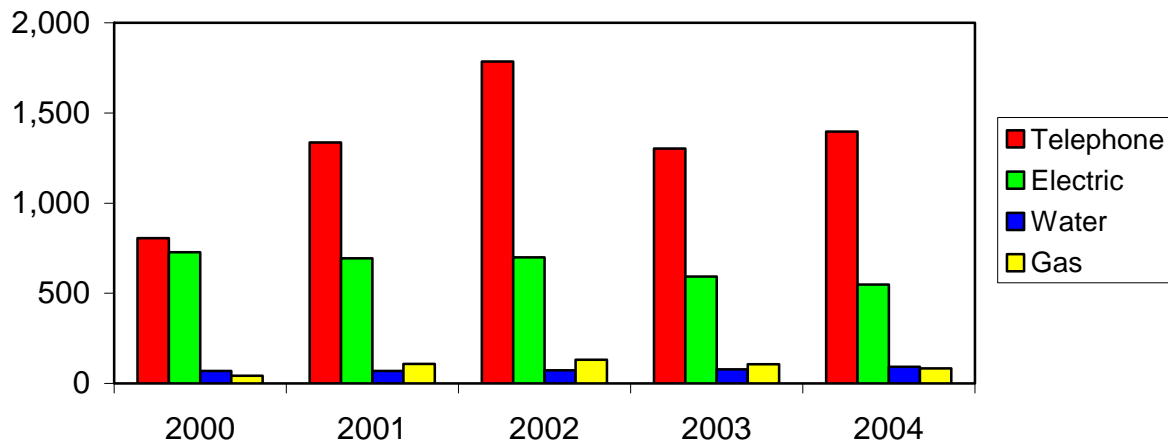
Complaints Received. As shown in Figure 2, the CAD received 2,121 consumer complaints in 2004. This is a 2% increase over the 2,079 received in 2003, and a 22% decrease from the 2,734 complaints received in 2002.

Figure 2: Consumer Complaints 2000-2004



The modest increase in complaints received in 2004 is mainly the result of an increase in complaints against telecommunications carriers, primarily Verizon. As shown in Figure 3, telecommunications complaints increased between 2003 and 2004, complaints against electric and gas utilities decreased each of the past two years, and complaints against water utilities increased each of the three years. Details on the types of complaints received against specific utilities are discussed in Section IV, Utility Complaint Profiles.

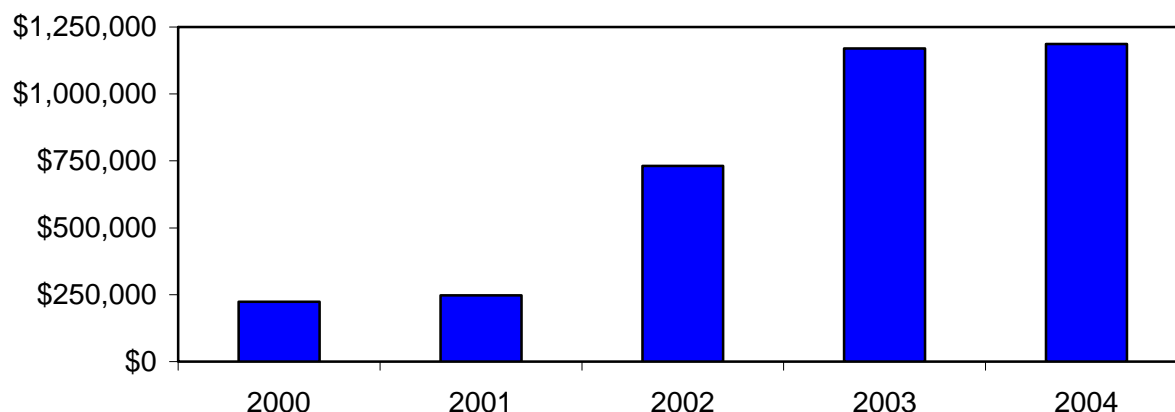
Figure 3: Consumer Complaints (by Utility Type)



Complaints Resolved. The CAD resolved 2,095 complaints in 2004, 18% fewer than the 2,566 complaints resolved in 2003, and 15% fewer than the 2,461 resolved in 2002. The decrease in the number of complaints resolved by the CAD in 2004 was due to several positions being vacant during the year. Even so, the CAD resolved 62% of the complaints in 2004 within 30 days of receipt, an increase over the 53% resolved within 30 days in 2003 when the CAD was fully staffed.

Abatements. The CAD frequently obtains credits or refunds for consumers as part of its resolution of consumers' disputes with their utilities. As a result of investigations completed in 2004, over \$1,187,000 was abated by utilities for 3,622 Maine consumers. As shown in Figure 4, the amount abated for Maine consumers has increased each of the past four years, and the amount abated in 2004 is more than five times the amount abated in 2000. The increase in abatements is due primarily to improvements in the quality of the CAD's investigations, an increased emphasis on mediating consumer complaints, and the resolution of slamming complaints.

Figure 4: Abatement Amounts 2000-2004



As shown in Figure 5, abatements obtained by the CAD from telephone utilities have increased each of the past three years. This increase in abatements is due primarily to the efforts of the CAD to assist consumers whenever possible. The CAD attempts to obtain a credit even if it does not have clear jurisdiction (such as obtaining a “good will” adjustment for disputed interstate or international toll charges) or in situations where neither the consumer nor the utility has done anything that contradicts Commission rules or the utility’s terms and conditions (such as inadvertent toll charges incurred while accessing an internet service provider). In the vast majority of cases, the CAD is able to negotiate a refund to the consumer.

Also shown in Figure 5, abatements obtained by the CAD for gas consumers increased dramatically in 2004. This increase is due to the resolution of numerous estimated bill complaints and the subsequent Commission investigation of Northern Utilities (NUI). Consumers complained to the CAD that they received estimated bills from NUI for long periods of time, in some cases as long as 36 months. The consumers received large make-up bills once an actual reading was obtained because the estimated usage was significantly less than the actual usage. As a result of the CAD’s efforts, \$220,190 was abated to 1,409 NUI customers.

Figure 5: Abatement Amounts by Utility Type 2000-2004

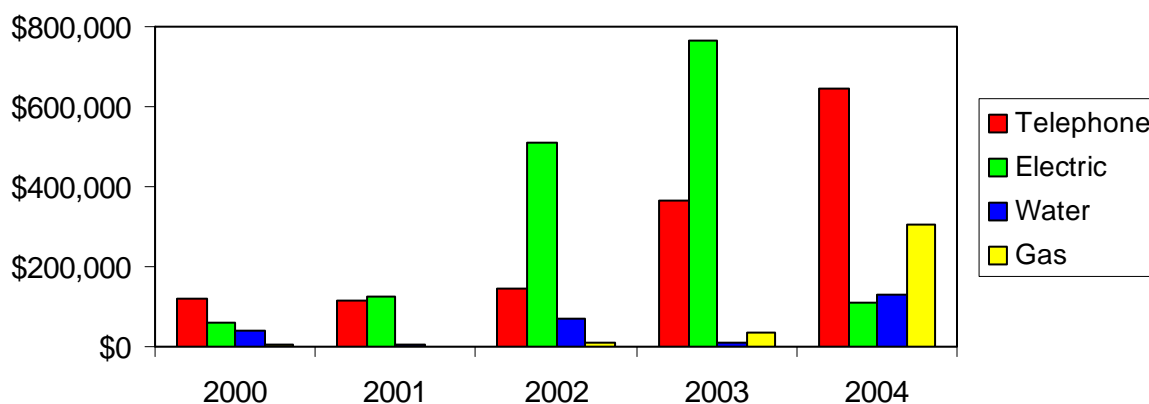


Table 1 shows the number of consumers who received abatements and the total amount abated by type of utility in 2004.

Table 1: Abatement Amounts by Utility Type

Utility Type	No. of Abatements	Amount Abated
Communications	989	\$643,041
Electric	1,173	\$108,685
Gas	1,410	\$303,977
Water	50	\$131,300
Total	3,622	\$1,187,003

Appeals of CAD Decisions. Both the consumer and the utility have the right to appeal to the Commission a decision made by the CAD. In 2004, 13 of the CAD's decisions were appealed, representing 0.6% of the cases resolved by the CAD. The same percentage of decisions was appealed in 2003. Of the actions taken by the Commission in 2004, it upheld the CAD's decision in nine cases, upheld the CAD's decision in part in one case, and overturned the CAD's decision in two cases. Two consumers' appeals were resolved without review by the Commission. In 2002, 1.1% of the cases resolved by the CAD were appealed.

B. Requests for Information

Calls or letters in which the CAD simply provides information to consumers are tracked separately from consumer complaints. The CAD received 5,932 requests for information in 2004, a 7% decrease from 6,396 requests in 2003, and a 9% decrease from 6,542 in 2002. Consumers asked the CAD for information on utility billing practices and services, ratepayer rights and responsibilities, electricity conservation, electric restructuring, and the types of assistance available to low-income consumers who had trouble paying their bills. Consumers also asked the CAD for guidance on resolving disputes with utilities. Many consumers contacted the CAD about utility services not regulated by the Commission, such as cable, wireless, and propane (the Commission has safety, but not rate, jurisdiction over propane systems).

C. Requests for Winter Disconnection

Requests by electric or gas utilities to disconnect consumers during the winter period are also tracked separately. It is the Commission's policy that during winter months when severe weather conditions can pose a threat to health and safety, residential customers of electric and gas utilities should not be disconnected because of their inability to pay the entire amount owed. It is also the Commission's policy that utilities should attempt to enter into payment arrangements with their customers, and that customers must pay a reasonable portion of each utility bill when due during the winter period to avoid accumulation of arrearages that will be difficult to pay on a reasonable schedule during the summer months.

These policies are stated in the preface to the Commission's rules on "winter disconnection." The policies apply to the period between November 15 and April 15. During this period, a utility may disconnect service to an occupied dwelling only after it has received authorization from the CAD. However, both Central Maine Power Company and Bangor Hydro-Electric Company have obtained exemptions from this requirement and may disconnect a customer without authorization from the CAD if they have sufficient evidence that the premises is vacant.

As shown in Table 2, the CAD received 607 requests from utilities to disconnect consumers' gas or electric service during the winter of 2003-2004, compared to 532 requests in 2002-2003 and 375 requests in 2001-2002. The primary reason for the increase in 2003-2004 was that CMP submitted fewer requests than average during the previous two winter periods. Of the 2003-2004 requests for winter disconnection, 29% were granted. In all cases where the request was granted, the residence had been abandoned. Requests to disconnect were denied if a payment arrangement was established for the consumer pursuant to the winter disconnection rule or if payment was made, thereby avoiding the need for disconnection.

Table 2: Winter Disconnection Requests

Utility	Requests Received	Requests Granted	Requests Denied
Central Maine Power Company	524	146	378
Eastern Maine Electric Cooperative	71	30	41
Kennebunk Light & Power	1	0	1
Madison Electric Works	8	2	6
Matinicus Plantation Electric Co-op	3	1	2
Total	607	179	428

D. Requests for Exemption

The CAD reviews requests by utilities for exemptions from the Commission's consumer protection rules involving a single consumer, while the Commission reviews requests for exemptions involving all or a portion of a utility's service territory. The CAD received 28 exemption requests in 2004, compared to 22 in 2003 and 6 in 2002. Of the requests received in 2004, 24 involved a utility seeking permission to add a customer's final bill to another customer's account. The CAD granted 16 requests, denied seven, and five were withdrawn by the utility.

E. Violations of Commission Rules

The CAD identified violations by utilities of the Commission's consumer protection rules in 190 of the consumer complaints it resolved in 2004. This is a 72% decrease from the 672 consumer complaints where utility violations were identified in

2003, and a 75% decrease from the 762 consumer complaints with violations in 2002. The primary reason for the decrease in complaints with violations is that far fewer slamming complaints were received and resolved in 2004 than in 2002 and 2003. (Slamming complaints typically make up the largest number of complaints with utility violations.) Nearly 95% of the complaints where violations were identified in 2004 involved telecommunications carriers. In 84% of these complaints, a carrier violated Chapter 296 (the Commission's slamming rule) by making an unauthorized change in a customer's telecommunications service.

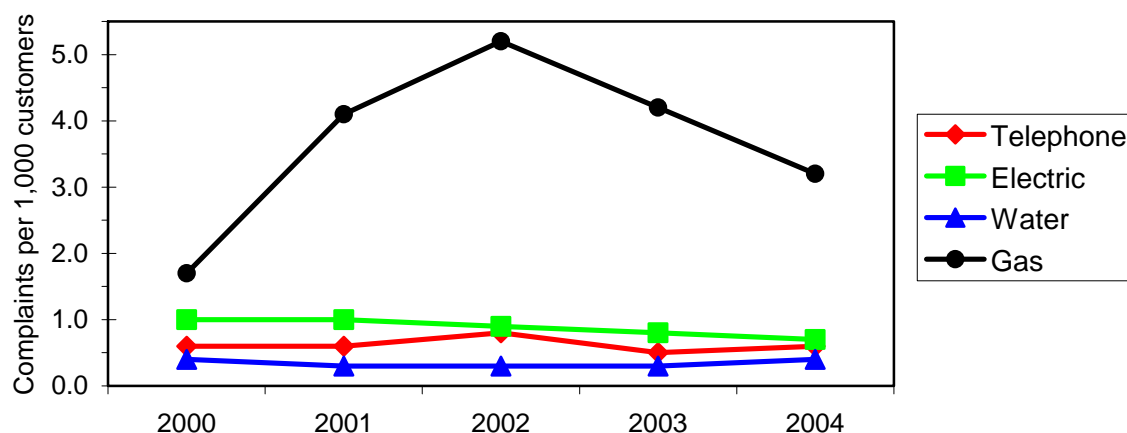
IV. UTILITY COMPLAINT PROFILES

This section profiles the performance of Maine utilities with respect to consumer complaints received during the year. Complaints received by the CAD are used to assess the complaint handling performance of the major electric, gas, water, and telephone utilities. In nearly every case, the consumer has already contacted the company about the problem prior to contacting the CAD. The exception is that slamming or cramming complaints are accepted even if the consumer has not attempted to resolve the dispute directly with the utility or the service provider.

The calculation of a consumer complaint rate (consumer complaints per 1,000 consumers) allows an "apples to apples" comparison of the number of complaints received among utilities of various sizes. The CAD has found that high consumer complaint rates or significant increases from one year to the next often indicate patterns or trends that may need to be investigated.

This section is organized by industry type. Information is provided on major utilities, as well as smaller utilities with a significant number of consumer complaints. The Appendix is a compilation of complaints received in 2004 against monopoly and incumbent utilities, broken down by the issues involved. Complaints against competitive utilities are not included due to the large number of utilities involved.

As shown in Figure 6, the complaint rate for natural gas utilities has decreased each of the past two years, while the complaint rates for telephone, electric and water utilities have remained about the same for the past five years. The complaint rate for natural gas utilities is primarily driven by complaints against Northern Utilities, which serves over 90% of Maine's natural gas customers. The telephone complaint rate includes only incumbent local exchange carriers. (Complaint rates for competitive local exchange and interexchange carriers have not been calculated due to the large number of carriers.) A discussion of the complaints received against each utility type follows.

Figure 6: Complaint Rates (by Utility Type)

A. Electric Utilities

On March 1, 2000, Maine's electricity supply market was opened to competition. Electricity suppliers sell electricity to consumers, while transmission and distribution utilities deliver the electricity to homes and businesses and maintain the poles and wires to get it there. The Commission regulates electricity providers and transmission and distribution utilities differently, because supply is a competitive service whereas transmission and distribution is a monopoly service (only one electric transmission and distribution utility is allowed to serve any one area).

Thirteen electric utilities provide transmission and distribution services to Maine consumers. Central Maine Power Company (CMP), Bangor Hydro-Electric Company (BHE) and Maine Public Service Company (MPS) are investor-owned while the remainder are consumer-owned. The investor-owned electric transmission and distribution utilities serve 96% of Maine's electric consumers, and accounted for 95% of the complaints received against electric utilities in 2004.

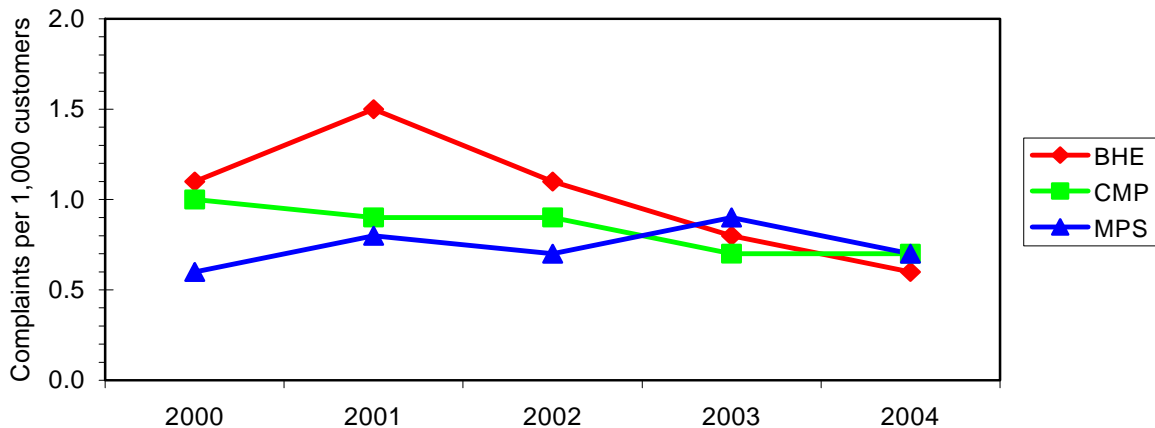
The Commission has approved 55 competitive electricity providers to supply electricity in Maine. At the end of 2004, competitive electricity providers served 40% of the load in BHE, CMP and MPS service territories. (The remainder of the electric load is supplied by the "standard offer," with the suppliers and prices determined by a bid process conducted by the Commission.) Competitive electricity providers serve 71% of the large industrial electric consumers and 24% of the mid-sized electric consumers in BHE, CMP and MPS service territories. The retail market for residential and small non-residential consumers has been slow to develop due to high customer acquisition and service costs. As a result, competitive electricity providers serve only 1% of these electric consumers. The CAD seldom receives complaints against competitive electricity providers.

The CAD received 531 complaints against electric transmission and distribution utilities in 2004, a 5% decrease from 561 complaints in 2003, and a 24% decrease from 699 complaints in 2002. As shown in Figure 7, the complaint rate for

BHE has decreased each of the past three years. The complaint rate for MPS decreased between 2003 and 2004 while the complaint rate for CMP remained the same. The decrease in the complaint rate for BHE is most likely due to a performance measure in its alternative rate plan that measures the company's performance in resolving consumer complaints.

Additional details on complaints received against the three investor-owned utilities are provided below, while complaint statistics for all electric transmission and distribution utilities are summarized in the Appendix.

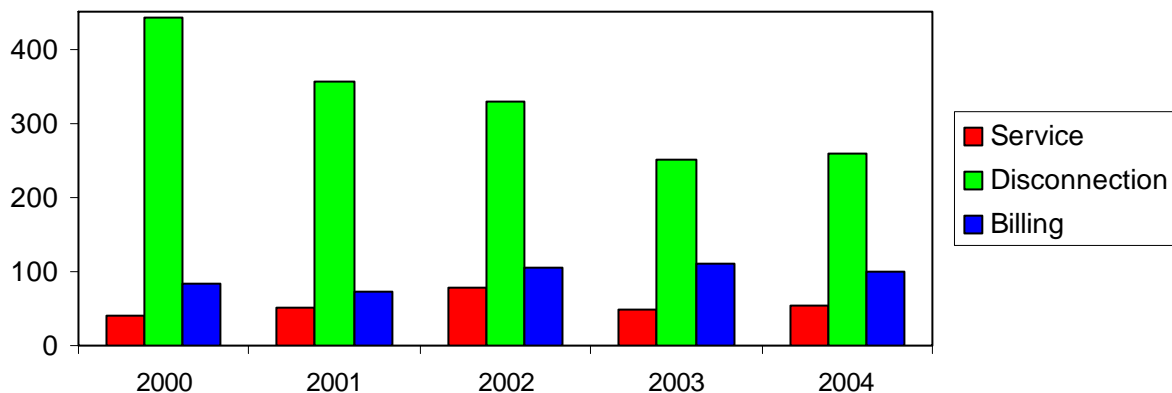
Figure 7: Electric Utility Complaint Rates



1. Central Maine Power Company

In 2004, the CAD received 410 complaints against CMP, comparable to the 409 complaints received in 2003, and a 21% decrease from 517 complaints in 2002. CMP's complaint rate was 0.7 complaints per 1,000 consumers in both 2003 and 2004. Its complaint rate in 2002 was 0.9. As shown in Figure 8, service-related complaints and complaints about threatened or actual disconnection increased slightly from 2003 to 2004, while complaints about billing problems decreased.

Figure 8: CMP Complaints (by Issue)

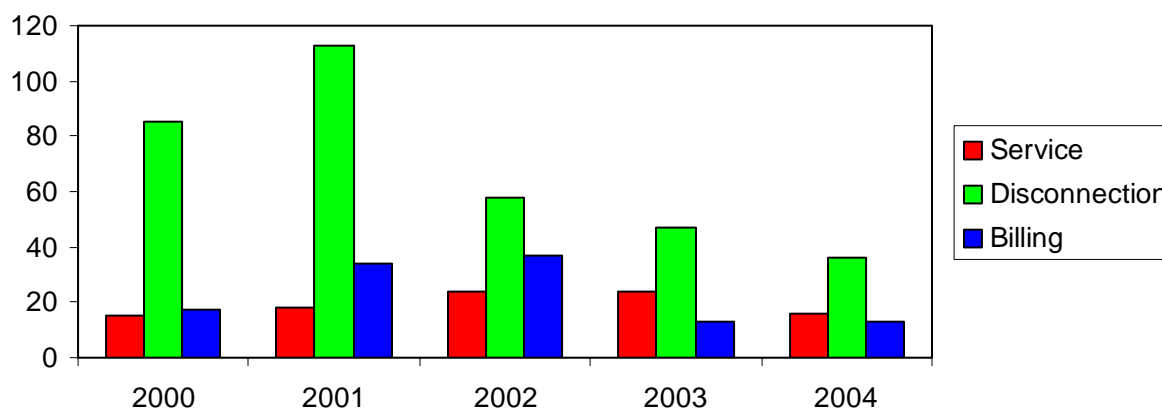


2. Bangor Hydro-Electric Company

In 2004, the CAD received 67 complaints against Bangor-Hydro Electric Company (BHE), a 21% decrease from 85 complaints received in 2003, and a 44% decrease from 120 complaints in 2002. BHE's complaint rate was 0.6 complaints per 1,000 consumers in 2004, 0.8 in 2003 and 1.1 in 2002. The reduction in complaints received against BHE is a reflection of the company's increased efforts to provide better quality service to its customers and to resolve customer complaints. The reduction may also be due to the performance measures established by the Commission in BHE's alternative rate plan established in 2002. One of the performance measures is the number of complaints received by the CAD, which BHE has worked hard to attain. The use of this performance measure has focused BHE's attention on providing good customer service and reducing the number of dissatisfied customers who contact the CAD.

As shown in Figure 9, BHE complaints about threatened or actual disconnection have decreased each of the past three years. Service-related complaints decreased in the past year, while billing complaints remained about the same for the past two years.

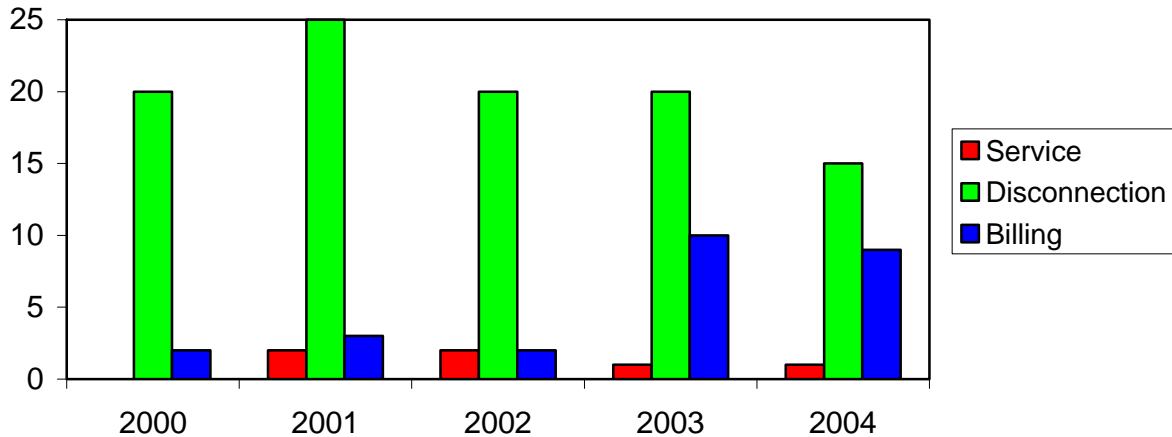
Figure 9: BHE Complaints (by Issue)



3. Maine Public Service Company

In 2004, the CAD received 26 complaints against Maine Public Service Company (MPS), a 16% decrease from the 31 complaints received in 2003, and comparable to the 24 complaints in 2002. MPS's complaint rate was 0.7 complaints per 1,000 consumers in 2004, 0.9 in 2003 and 0.7 in 2002. Since MPS has a smaller customer base than either CMP or BHE, fluctuations in the number of complaints received against MPS result in a more dramatic change in its complaint ratio.

As shown in Figure 10, MPS complaints about billing and actual or threatened disconnection decreased in the past year, while complaints about service-related issues have been minimal for each of the past five years.

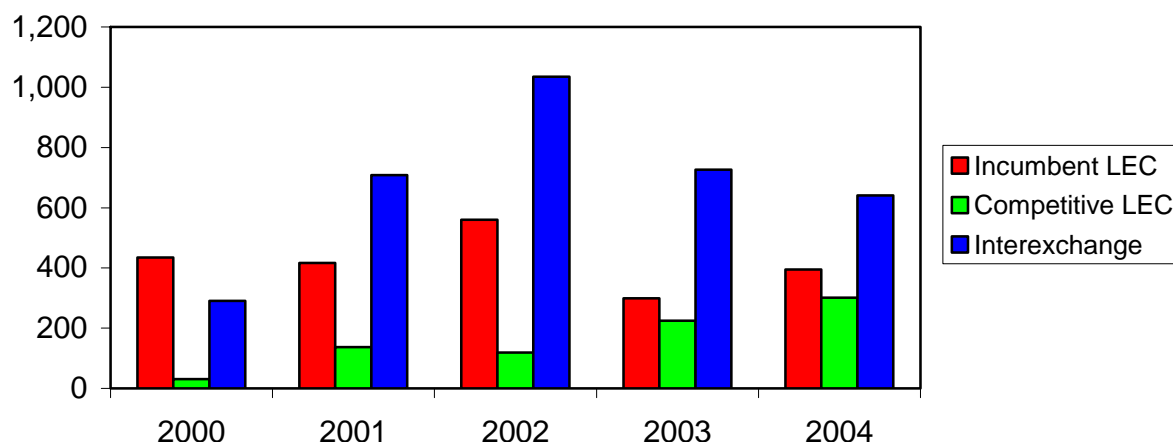
Figure 10: MPS Complaints (by Issue)

B. Telephone Utilities

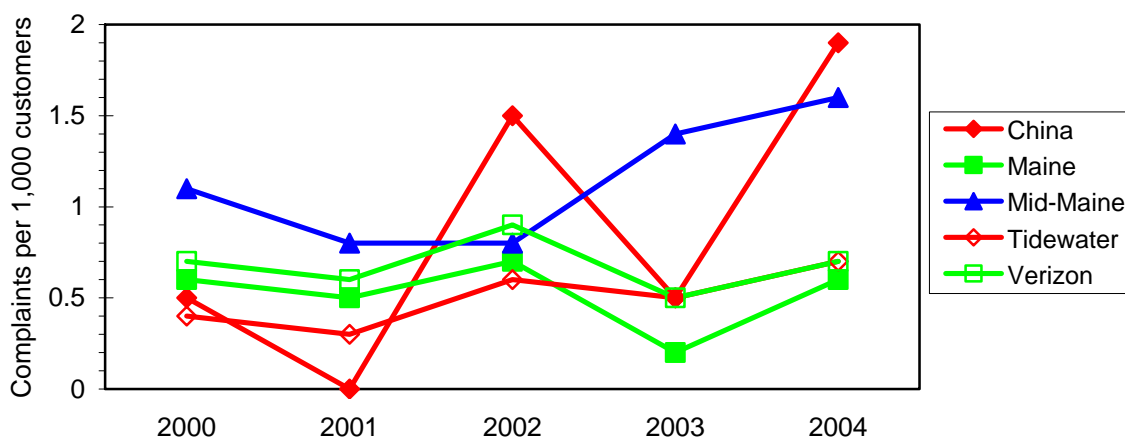
There are 23 incumbent local exchange carriers (ILECs) authorized by the Commission to provide service in Maine. The CAD received 395 complaints against ILECs in 2004, a 32% increase over 299 complaints received in 2003, and a 29% decrease from 558 complaints in 2002. The majority of the complaints received against ILECs in 2004 were about disputed charges (40%), service (30%) and customers' inability to pay their bills (28%).

There are 79 telephone companies authorized to provide competitive local exchange service and 294 telephone companies authorized to provide in-state interexchange (toll) service (66 of these companies provide both local and interexchange service). The CAD received 942 complaints in 2004 against competitive local exchange carriers (CLECs) and interexchange carriers (IXCs), a 1% decrease from 951 complaints received in 2003, and a 19% decrease from 1,158 complaints in 2002. The majority of the complaints against CLECs and IXCs concerned disputed charges (62%) and slamming (23%).

As shown in Figure 11, complaints against CLECs increased each of the past two years, while complaints against IXCs decreased each of the past two years. As mentioned previously, complaints against ILECs increased between 2003 and 2004. The increase in ILEC complaints is due to an increase in complaints against Verizon, while the increase in CLEC complaints is due to increased competition in the local exchange market. The decrease in IXC complaints is due to a decrease in the number of complaints about slamming and improper disconnection.

Figure 11: Telecommunications Complaints 2000-2004

While the CAD takes complaints against all telecommunications carriers, complaint rates are calculated only for ILECs. Figure 12 shows the complaint rates for ILECs with 7 or more complaints in 2004. Complaint rates for all ILECs other than Verizon can fluctuate widely from year to year because of their relatively small customer base. For example, China Telephone's complaint rate increased from 0.5 in 2003 (2 complaints) to 1.9 in 2004 (7 complaints).

Figure 12: ILEC Complaint Rates

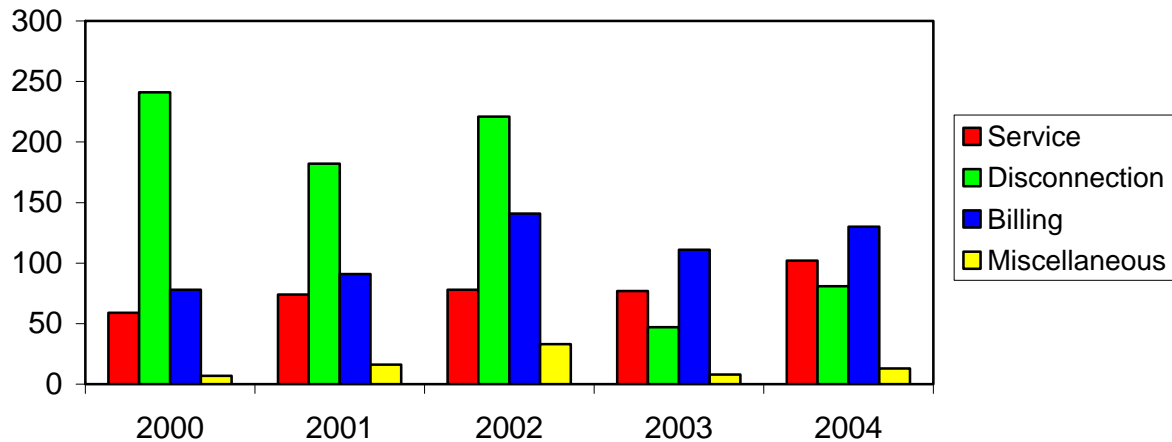
A discussion of the telecommunications carriers that were the subject of a significant number of complaints in 2004 follows.

1. Verizon

In 2004, the CAD received 326 complaints against Verizon, a 34% increase over 243 complaints in 2003, and a 31% decrease from 473 complaints in 2002. Verizon's complaint rate was 0.7 complaints per 1,000 consumers in 2004, 0.5 in 2003 and 0.9 in 2002. As shown in Figure 13, the number of Verizon complaints increased in all four categories (service, threatened or actual disconnection, billing,

and miscellaneous) in 2004. The CAD believes the increase may be due to Verizon's failure to work with consumers to resolve their disputes. Many customers who contacted the CAD reported that Verizon was inflexible regarding alternatives for resolving their complaints.

Figure 13: Verizon Complaints (by Issue)



2. AT&T

In 2004, the CAD received 447 complaints against AT&T, an increase of more than 200% over 210 in 2003, and a 71% increase over 262 in 2002. More than 87% of the complaints against AT&T in 2004 concerned disputed charges. The CAD received a large number of consumer complaints against AT&T relating to a \$3.95 monthly recurring fee that should have been charged only to AT&T toll customers who had not subscribed to a specific calling plan. Instead, the fee was charged to all persons in AT&T's billing system, including persons who were no longer AT&T customers. In March 2004, AT&T informed the CAD that the billing error had been corrected. However, the CAD continued to receive consumer complaints about the monthly recurring charges through the end of 2004, an indication that the problem may not have been corrected. Maine consumers were not the only ones affected by this billing error—the FCC opened an investigation to determine whether AT&T erroneously charged \$3.95 a month to 1.27 million consumers nationwide. AT&T agreed to pay \$500,000 to resolve the FCC's investigation into claims that the company billed customers who did not order service, and issued refunds to consumers.

3. MCI

In 2004, the CAD received 159 complaints against MCI, a 41% decrease from 269 complaints in 2003, and a 30% decrease from 226 complaints in 2002. Nearly 75% of the complaints received in 2004 involved MCI's basic service, while 25% involved its interexchange service. Nearly 55% of the complaints were about

disputed charges, 16% were about service issues, and 12% were about unauthorized changes in telephone service.

4. OneStar Long Distance

In 2004, the CAD received 107 complaints against OneStar, a 55% decrease from 236 complaints in 2003, and a 260% increase over 41 complaints in 2002. Nearly 63% of the complaints received against OneStar in 2004 were about unauthorized changes in telephone service, while 35% of the complaints were about disputed charges. The majority of the complaints received against OneStar in 2004 were due to a programming error by OneStar that resulted in the disconnection of toll service to 3,700 telephone numbers in Maine when the consumers' interexchange carrier was changed in error. Consumers affected by this error were either past customers of OneStar, or customers of telephone companies who formerly resold OneStar services.

5. Slamming Complaints

The CAD received 231 slamming complaints in 2004, a slight decrease from 239 slamming complaints in 2003, and a 62% decrease from 608 complaints in 2002.

Of the slamming complaints received in 2004, 141 alleged an unauthorized change of both in-state and out-of-state services, 82 alleged an unauthorized change of only out-of-state service, and eight alleged an unauthorized change of only in-state service. The majority of the slamming complaints were against interexchange carriers. Table 3 lists the carriers against whom the CAD received five or more slamming complaints in 2004.

Table 3: Slamming Complaints (by Carrier)

Carrier	No. of Complaints
AT&T	31
LCR Telecommunications	75
MCI	19
OneStar Long Distance	67
Sprint	15

Of the slamming complaints resolved in 2004, the CAD found that 148 consumers were slammed—their service was changed without their authorization. Table 4 lists the carriers against whom the CAD made five or more findings of slamming in 2004.

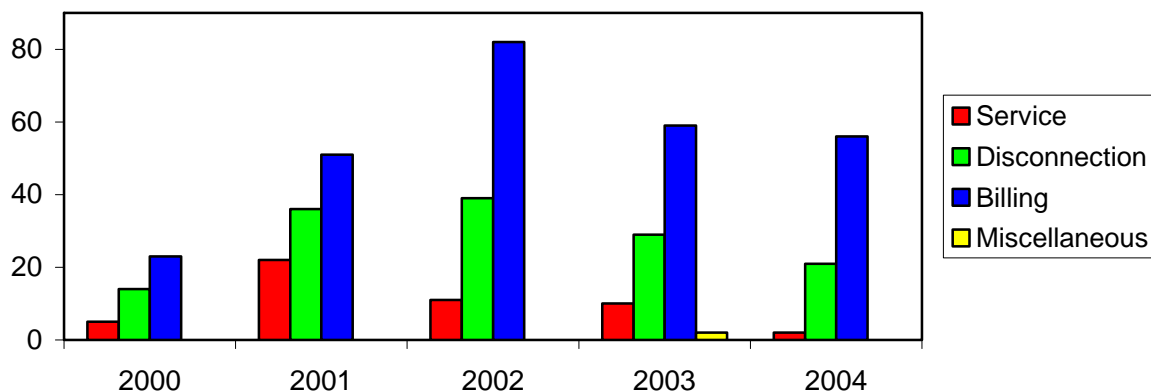
Table 4: Customers Slammed (by Carrier)

Carrier	No. of Customers
AT&T	5
LCR Telecommunications	52
OneStar Long Distance	73

C. Natural Gas Utilities

Three natural gas utilities currently serve portions of Maine: Northern Utilities, Bangor Gas Company, and Maine Natural Gas. Because the CAD has never received complaints against either Bangor Gas or Maine Natural Gas (most likely because these companies have few residential customers), this section will focus solely on Northern Utilities, Inc. (NUI). NUI serves over 90% of Maine's natural gas consumers.

The CAD received 79 complaints against NUI in 2004, a 22% decrease from 101 complaints in 2003, and a 40% decrease from 132 complaints in 2002. As shown in Figure 14, complaints received against NUI have decreased in every category each of the past two years. Likewise, NUI's complaint rate has decreased each of the past two years. NUI's complaint rate was 3.2 complaints per 1,000 customers in 2004, 4.2 in 2003 and 5.3 in 2002. The reduction in complaints against NUI since 2002 is most likely due to the Commission's investigation into NUI's billing practices, the Commission's management audit of NUI, and NUI's increased efforts to provide better service and prevent customer complaints.

Figure 14: NUI Complaints (by Issue)

D. Water Utilities

The Commission has approved 155 water utilities to provide service in Maine. In 2004, the CAD received 87 complaints against these utilities, an increase of 18%

over 74 complaints in 2003, and an increase of 21% over 72 complaints in 2002. The increase in complaints in 2004 was in the category of threatened or actual disconnection. Customers who had difficulty paying their bills and were unable to negotiate an arrangement with their utility contacted the CAD for assistance. A breakdown of complaints received in 2004 by utility and issue can be found in the Appendix.

E. Water Common Carriers

The Commission has approved 13 companies to provide public ferry service on Casco Bay. The CAD has never received a consumer complaint against a water common carrier.

V. EDUCATION AND OUTREACH

The CAD strives to increase public awareness of utility issues by issuing consumer bulletins to the news media on regulatory matters and areas of concern. In addition, the CAD's web page (<http://www.state.me.us/mpuc/cad/cad.htm>) includes fact sheets, brochures, consumer bulletins, consumer complaint statistics, and annual reports on consumer assistance. The CAD also provides training to utility staff upon request, and provides guidance to utilities and consumers on the interpretation of Commission laws and rules.

A. Consumer Bulletins

The CAD issued three Consumer Bulletins in 2004 on telecommunication issues. The bulletins addressed changes in basic service calling areas, protections against slamming, and a refund available from AT&T. Consumer Bulletins are sent to all in-state media services (newspapers, radio, television), social service agencies, and others such as the Congressional delegation and the Governor's office, and are posted on the CAD's website. A brief description of each bulletin follows.

Low Per-Minute Rate Now Available for Calls to Nearby Areas

Issued March 31, 2004, this bulletin explained the amendments to Maine's local calling area rules, which changed the way local telephone companies charge for some calls to nearby areas. This was one of several changes made in response to consumer requests for larger local calling areas in many parts of Maine. The changes added all adjacent exchanges to local calling areas, giving everyone in Maine the opportunity to select a "premium" calling plan that gives them the ability to make calls, without additional charges, to residents and businesses in all bordering exchanges. Customers who select smaller "economy" local calling areas, instead of larger "premium" areas, now pay a per-minute rate for calls to nearby areas that were previously billed at either long distance rates or a flat per-call charge.

☎ How to Avoid Being “Slammed”

Issued June 16, 2004, this bulletin provided information to consumers on how to avoid having their telephone service changed without their authorization. The bulletin explained how to “freeze” the selection of the company or companies providing a consumer their local or long-distance service. Although slamming is illegal, it sometimes occurs and the Commission recommended a carrier freeze as the most effective way to prevent it. The bulletin also recommended that consumers read their telephone bills carefully each month.

☎ Maine Consumers May be Eligible for a Refund

Issued September 20, 2004, this bulletin advised individuals who were residential long-distance customers of AT&T between March 2001 and July 2003 that they may be eligible for a refund due to a Maine sales tax overcharge by AT&T. Eligible consumers who were still AT&T customers received a one-time \$0.75 credit for this overcharge. Nearly \$30,000 was refunded to Maine consumers directly on their bills. Consumers who no longer subscribed to AT&T for long-distance service were provided information on how to contact AT&T to obtain a refund. Former AT&T customers who were overcharged and requested a refund received a prepaid calling card valued at \$0.75.

B. Other Outreach Activities

Assisting utilities with the interpretation of Commission rules is another component of the CAD’s outreach efforts. In 2004, the CAD received 239 calls from utilities seeking assistance. The CAD assists utilities by reviewing their credit and collection procedures to ensure they are reasonable and in compliance with Commission rules, and by reviewing their service-related procedures to ensure that service is provided in a uniform, fair, and reasonable manner. The CAD also responds to utility requests for assistance in dealing with more complex consumer issues. This often means providing advice on how to proceed with disconnection or a collection action related to accounts with high balances or life support equipment, the failure to repair service lines, bankruptcy issues, master-metered units, and line extensions. In May 2004, the CAD provided training to Kennebunk Light & Power staff on credit and collection procedures, payment arrangements, low-income programs, and requesting exemptions from Commission rules.

VI. LOOKING FORWARD TO 2005

The CAD expects consumer contact levels, including the number of consumer complaints, to remain relatively constant in 2005. (This could change, however, if a large number of slamming or cramming complaints are received, as has happened in previous years.) Contacts and complaints should remain level because consumers have adapted to changes in the electric industry associated with electric restructuring

and telephone utilities have become familiar with the Commission's new telecommunications consumer protection rules.

One of the CAD's major projects in 2005 will be the revision of Chapter 81 and Chapter 86, the Commission's consumer protection rules for electric, gas, and water utilities. A Notice of Inquiry was issued January 13, 2005 to collect information needed to guide the drafting of revised rules. In the Notice, the Commission sought comments from interested parties on combining Chapters 81 and 86 into a single rule, as well as separating the requirements for electric, water, and gas utilities into individual rules. The Notice also proposed removal of antiquated sections of the rules and updating requirements to reflect changes in the utility markets (electric in particular) that have occurred since the rules were last revised in 1988. In addition, comments were sought on the current winter disconnection process, which prohibits electric and gas utilities from disconnecting a customer's service during the winter period without first obtaining permission from the CAD. After reviewing the comments received pursuant to the Notice of Inquiry, revised rules will be drafted and comments again sought from interested parties. Comments will be incorporated into a final rule that will be presented to the Commission for review and adoption.

The CAD also plans to revise Chapters 290, 291 and 292 (the Commission's telecommunications credit and collection rules) in 2005. While these rules were adopted fairly recently, staff has found that several areas of the rules need to be clarified. The revisions to Chapters 290, 291 and 292 are expected to be far less complex than the revisions to Chapters 81 and 86.

The CAD will continue to focus on quality improvement in 2005 by implementing a consumer survey in an effort to provide the best possible service to the public. The survey will be sent to consumers who contact the CAD for assistance.

In summary, the number of consumer complaints received is the primary factor driving the CAD's workload. If incoming complaints remain at the same levels in 2005 as they were in 2004, the CAD hopes to focus its efforts on quality improvement initiatives and updating the Commission's consumer protection rules.